

MEMORANDUM

TO: Commissioners:

DATE: June 14, 2021

Robert M. Pickett, Chairman
Keith Kurber II
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

FROM: Rich Gazaway, Administrative Law Judge

SUBJECT: Docket R-20-003, Implementation of Senate Bill 123

Statement of the Case

The Regulatory Commission of Alaska (Commission) is addressing regulations implementing Senate Bill 123 (SB 123), legislation passed in 2020 to authorize the certification and regulation of regional electric reliability organizations (ERO). This memorandum discusses comments received in response to the Commission's proposed regulations addressing statutory requirements related to open access transmission, interconnection, and transmission system cost recovery.

Procedural Background

The 31st Alaska Legislature passed SB 123 in 2020 to authorize the certification and regulation of regional EROs by this agency and defining the duties of those organizations,¹ requiring the adoption of regulations necessary to implement the legislation by July 1, 2021.² The Commission opened three separate dockets to consider implementation issues related to SB 123 - Docket R-20-001 (focused on ERO board composition and competency issues), Docket R-20-002 (focused on the integrated resource planning and project preapproval requirements), and Docket R-20-003 (focused on issues related to reliability standards, open access transmission and interconnection, transmission cost recovery, and tariff requirements for an ERO).³ Technical conferences were held on June 3 and July 27, 2020 (Docket R-20-001), October 21-22, 2020 (Docket R-20-002), and February 23-25, 2021 (Docket R-20-003).

Open access transmission, interconnection, and transmission cost recovery issues were addressed in Docket R-20-003. The Commission invited participants in the R-20-003 technical conference to file comments after the technical conference, with comments addressing open access transmission, interconnection, and transmission cost recovery filed March 8, 2021 by the Alaska Independent Power Producers Association (AIPPA), Chugach Electric Association (Chugach), Cook Inlet Region, Inc. (CIRI), Matanuska Electric Association (MEA), and the Renewable Energy Alaska Project (REAP).

After a series of public meetings to discuss and refine proposed regulations,⁴ the Commission issued proposed regulations for comment.⁵ Comments addressing the proposed regulations pertaining to open access transmission, interconnection, and transmission cost recovery issues were received on June 1, 2021

¹SB 123 was signed into law on April 29, 2020. *See* Chapter 29, SLA 2020.

²SB 123, Section 2; *see also* AS 42.05.770, AS 42.05.780(d), and AS 42.05.785(d).

³*See* Order R-20-001(2)/R-20-002(1)/R-20-003(1), *Order Redefining Scope of Docket R-20-001 and Amending Docket Title, Opening Rulemaking Proceedings, and Scheduling Technical Conference*, dated July 14, 2020 (Order R-20-001(2)).

⁴Public meetings took place on March 26 and 31 and April 5, 7, 8, 13, 14, 21, 22, and 28, 2021.

⁵*See* Order R-20-001(3)/R-20-002(4)/R-20-003(4), *Order Issuing Proposed Regulations for Comments*, dated April 29, 2021; *see also* Order R-20-001(3E)/R-20-002(4E)/R-20-003(4E).

from the Attorney General’s Regulatory Affairs and Public Advocacy section (RAPA),⁶ CIRC, Chugach, Doyon Utilities, LLC (Doyon), HEA, MEA, and REAP. The Commission also received a joint regulations proposal from the five Railbelt electric utilities.⁷

Statutory Requirements/Comments Received in Docket R-20-003

Statutory Requirements

AS 42.05.770(1) requires that the Commission adopt regulations requiring an ERO’s tariff include standards for open access transmission and interconnection and for transmission system cost recovery.⁸

Open Access Transmission and Interconnection

Comments Received Before Issuance of Proposed Regulations

As the above language indicates, statutory guidance is limited to requiring that Commission regulations mandate that the ERO’s tariff include standards addressing open access transmission and interconnection. Initial comments reflected a split of opinion regarding the necessary degree of detail necessary in regulations implementing AS 42.05.770(1). Utilities (“load-serving entities” under SB 123) favored general guidance in regulations that leave it to the ERO to develop specifics such as standards for open access transmission, interconnection, and transmission cost recovery.⁹ Non-utility commenters favored more specific guidance in regulation regarding what constitutes open access and what principles should be embedded in regulations to guide open access transmission and interconnection protocols. AIPPA and CIRC recommended standards be guided by national standards developed for the interconnected grid regions in portions of the continental United States and Canada.¹⁰

Proposed Regulations Issued for Comment

Proposed regulations issued for comment under Order R-20-001(3)/R-20-002(4)/R-20-003(4) merged concepts presented by both MEA and CIRC. Subsections (a)(1)-(2) and (c) were based on MEA proposals and subsections (a)(3)-(4) and (b) were based on CIRC’s comments. Subsection (d) was added based on Commissioner discussions at the March 31, 2021 public meeting. The proposed regulations stated:

⁶RAPA’s comments were limited to correcting citations to FERC Orders referenced in 3 AAC 46.440(a)(3) and 3 AAC 46.440(a)(4). RAPA June 1, 2021 comments at 30.

⁷Joint Comments of Chugach, GVEA, HEA, MEA, and the City of Seward, filed June 1, 2021 (Railbelt utilities’ joint comments).

⁸Specifically, AS 42.05.770(1) provides “[t]he commission shall adopt regulations governing electric reliability organizations, reliability standards, and modifications to reliability standards consistent with this section. Regulations under AS 42.05.760 – AS 42.05.790 must

(1) require that an electric reliability organization’s tariff include

(A) standards for nondiscriminatory open access transmission and interconnection;

(B) standards for transmission system cost recovery;”.

⁹Chugach February 19, 2021 comments at 17-18; GVEA February 22, 2021 comments at 1; HEA February 22, 2021 comments at 1; MEA February 22, 2021 comments at 2; City of Seward (Seward) February 22, 2021 comments at 1. Chugach and MEA proposed regulations generally requiring that the ERO’s tariff include open access transmission and interconnection standards. MEA added a definition of “nondiscriminatory” for both an open access transmission standard and an interconnection standard.

¹⁰AIPPA and CIRC referenced FERC pro forma interconnection standards and open access transmission tariffs, with CIRC providing links to the pro forma standards. See AIPPA March 8, 2021 comments at 3-4; CIRC March 8, 2021 comments at 9-12.

3 AAC 46.440. Open Access Transmission and Interconnection.

(a) By the date specified in the order approving an application to serve as an electric reliability organization, an electric reliability organization's tariff addressing interconnection must include

(1) a definition of the entities eligible to interconnect with the bulk electric system served by the electric reliability organization;

(2) a requirement that generators and loads capable of interconnecting with the bulk electric system served by the electric reliability organization are eligible to apply for interconnection with interconnected load serving entities in accordance with the standards for interconnection stated in the electric reliability organization's interconnection tariff;

(3) standard procedures for interconnection by facilities generating no more than 15,000 kilowatts of power based on the *Small Generator Procedures (for Generating Facilities no larger than 20 MW)* adopted by Federal Energy Regulatory Commission Orders 2006 and 2006-A in Docket RM13-2-000;¹¹ and

(4) standard procedures for interconnection by facilities generating more than 15,000 kilowatts of power based on the *Standard Large Generator Interconnection Procedures (Applicable to Generating Facilities that exceed 20 MW)* approved by Federal Energy Regulatory Commission Orders 2003 and 2003-A in Docket RM02-1-001.¹²

(b) By the date specified in the order approving an application to serve as an electric reliability organization, an electric reliability organization's tariff addressing open access transmission must include

(1) a definition of entities eligible to obtain transmission service;

(2) a requirement that generators interconnected to the bulk electric system served by the electric reliability organization are eligible to apply to acquire transmission capacity on the bulk electric system; and

(3) standards for open access transmission tariffs based on the *Proforma Open Access Transmission Tariff* attached as Appendix C to Federal Energy Regulatory Commission Order 1000 in Docket RM 10-23-000.

(c) A filing for a standard for open access transmission and interconnection must demonstrate the standard is not discriminatory or preferential.

(1) Nondiscriminatory for an open access transmission standard means transmission service is provided to any eligible transmission customer and the rates, terms, and conditions of granting and providing such transmission service are offered on an equivalent and non-preferential basis.

(2) Nondiscriminatory for an interconnection standard means all generators and loads requesting access to interconnect to the transmission system are provided non-discriminatory access to the transmission system through interconnection requests which are evaluated and studied in an equivalent matter and subject to the same criteria, fees, timelines, and processes.

(d) For the purposes of subsection (c), the term "transmission" means a transmission system operating at 69 kilovolts or more.

Comments Received on Proposed Regulations

The five Railbelt electric utilities filed a consensus proposal that was supported by Doyon.¹³ The regulations language proposed in the joint filing and supported by Doyon stated:

¹¹RAPA indicated this cite should be Docket RM12-2-000. RAPA June 1, 2021 comments at 30.

¹²RAPA indicated this cite should be Docket RM12-1-000. RAPA June 1, 2021 comments at 30.

¹³Railbelt utilities' joint comments, Appendix A at 54-55. Identical language and justification was stated in Doyon's comments at 42-43. Two signatories to the Railbelt utilities joint comments - HEA and

3 AAC 46.440. Open Access Transmission and Interconnection.

(a) By the date specified in the order approving an application to serve as an electric reliability organization, an electric reliability organization's tariff addressing interconnection must include

(1) a definition of the entities eligible to interconnect with the interconnected bulk-electric system served by the electric reliability organization;

(2) a requirement that generators and loads capable of interconnecting with the interconnected bulk-electric system served by the electric reliability organization are eligible to apply for interconnection with interconnected load-serving entities in accordance with the standards for interconnection stated in the electric reliability organization's interconnection tariff;

(3) standard procedures for interconnection of small generating facilities. The electric reliability organization may consider Federal Energy Regulatory Commission adopted procedures adjusted to reflect the size, stability and economic resources of the local region.

(4) standard procedures for interconnection of large generating facilities. The electric reliability organization may consider Federal Energy Regulatory Commission adopted procedures adjusted to reflect the size, stability and economic resources of the local region.

(b) By the date specified in the order approving an application to serve as an electric reliability organization, an electric reliability organization's tariff addressing open access transmission must include

(1) a definition of entities eligible to obtain transmission service;

(2) a requirement that generators interconnected to the interconnected bulk electric system served by the electric reliability organization are eligible to apply to acquire transmission capacity on the interconnected bulk- electric system; and

(3) a standard for open access transmission tariffs.

(c) A filing for a standard for open access transmission and interconnection must demonstrate the standard is not discriminatory or preferential.

(1) Nondiscriminatory for an open access transmission standard means transmission service is provided to any eligible transmission customer and the rates, terms, and conditions of granting and providing such transmission service are offered on an equivalent and non-preferential basis.

(2) Nondiscriminatory for an interconnection standard means all generators and loads requesting access to interconnect to the transmission system are provided non-discriminatory access to the transmission system through interconnection requests which are evaluated and studied in an equivalent matter and subject to the same criteria, fees, timelines, and processes.

(d) For the purposes of subsection (c), the term "transmission" shall be defined by the electric reliability organization. 0

The Railbelt utilities proposed revisions to 3 AAC 46.440 in three main areas. First, the utilities revised 3 AAC 46.440(a)(3) and (4) to replace the requirement that interconnection standards be based on FERC standards for interconnecting small and large generating facilities, instead stating ERO interconnection standards may be based on interconnection standards approved by FERC, adjusted to reflect the size, stability and economic resources of the local region. The utilities believed the revision was appropriate since FERC standards are designed for much larger systems than exist in Alaska.¹⁴

A similar revision was to 3 AAC 46.440(b)(3), where utilities proposed replacing requirements that the ERO's open access transmission tariff be based on FERC's *Pro Forma Open Access Transmission Tariff*

MEA - filed additional comments supporting the proposed revisions. HEA June 1, 2021 comments at 5; MEA June 1, 2021 comments at 22.

¹⁴Railbelt Utilities joint comments Appendix A at 54; Doyon comments at 42; HEA comments at 5.

to a requirement to the ERO's tariff have a standard for open access transmission tariffs. The utilities noted the existence of transmission tariffs for load-serving entities operating in the Railbelt, and contended the standard for open access transmission tariffs should be based on the Railbelt experience.¹⁵

The utilities third proposed revision was to subsection (d), where the Commission proposed that for the purposes of subsection (c) (requiring nondiscriminatory open access transmission and interconnection), the term "transmission" means a transmission system operating at 69 kilovolts or more. The utilities proposed that term "transmission" be defined by the ERO to provide the ERO with greater flexibility and allow interconnected systems operating below 69 kilovolts to form an ERO.¹⁶

While Chugach was a signatory to the Railbelt utilities joint comments and supported the above revisions to 3 AAC 46.440, it also submitted a separate filing that included an alternative regulation proposal. Chugach's modifications to 3 AAC 46.440 stated:¹⁷

3 AAC 46.440. Open Access Transmission and Interconnection.

(a) By the date specified in the order approving an application to serve as an electric reliability organization, an electric reliability organization's tariff addressing interconnection must include

(1) a definition of the entities eligible to interconnect with the interconnected bulk-electric system served by the electric reliability organization;

(2) a requirement that generators and loads capable of interconnecting with the interconnected bulk-electric system served by the electric reliability organization are eligible to apply for interconnection with interconnected load-serving entities in accordance with the standards for interconnection stated in the electric reliability organization's interconnection tariff; and

(3) proposed standards for nondiscriminatory open access transmission and interconnection.

(b) For the purposes of section, the term "transmission" means a transmission system operating at 69 kilovolts or more.

Chugach's proposal focuses on an eligible entity's ability to interconnect with a load-serving entity under standards established in the ERO's tariff, and reiterates the statutory requirement that the ERO's tariff include standards for nondiscriminatory open access transmission and interconnection. While the latter language is similar to Chugach's March 8, 2021 regulations proposal,¹⁸ the current proposal inserts the word "proposed" before "standards for nondiscriminatory open access transmission and interconnection", raising the question of whether ERO-developed standards would be optional for the load-serving entities. A second distinction from the joint proposal is that Chugach proposes retaining the definition of transmission for open access transmission and interconnection purposes as systems operating at 69 kilovolts or above.

REAP believes limiting requirements related to nondiscriminatory open access transmission and interconnection provisions to systems operating at 69 kilovolts or above - as proposed in Commission subsection 3 AAC 46.440(d) and Chugach subsection 3 AAC 46.440(b) - creates the possibility that load-serving entities may discriminate against independent power producers on interconnections below 69

¹⁵Railbelt Utilities joint comments Appendix A at 54; Doyon comments at 42-43, HEA comments at 5.

¹⁶Railbelt utilities joint comments, Appendix A at 55; Doyon comments at 43; HEA comments at 5.

¹⁷Chugach June 1, 2021 comments, Appendix A at 54.

¹⁸Chugach's March 8, 2021 filing regarding open access transmission and interconnection stated:

The Electric Reliability Organization shall submit with the Commission a proposed Tariff that includes, but is not limited to, (1) standards for nondiscriminatory open access transmission and interconnection;...

kilovolts.¹⁹ This concern could be addressed by eliminating the definition of transmission as systems operating at 69 kilovolts or above, and could potentially be addressed by allowing the ERO to define transmission as proposed by the Railbelt utilities (depending on the definition proposed by the ERO). REAP had no further comments regarding the Commission's proposed 3 AAC 46.440 and did not submit a regulation alternative for this section.

CIRI's questioned language at 3 AAC 46.440(a)(1) and (a)(2) that mentions entities eligible to interconnect with the interconnected bulk electric system.²⁰ The stated concern is that 3 AAC 46.440 appears to only require open access transmission and interconnection for entities interconnected or requesting interconnection to the bulk electric system.²¹ CIRI requested clarification to this section but provided no recommended regulations language, and focused its remaining comments on the need to clarify the applicability of reliability standards to all users, owners and operators. Without proposed regulations language or clarification of CIRI's comments, it is unclear what revisions to 3 AAC 46.440 (addressing ERO tariff requirements related to open access transmission and interconnection) would address CIRI's concerns.²²

Transmission Cost Recovery

AS 42.05.770(1)(B) requires the Commission to adopt regulations mandating that an ERO's tariff include standards for transmission system cost recovery. As with open access transmission and interconnection, the ERO tariff will define protocols for transmission cost recovery but transmission costs will be recovered by surcharges in tariffs of interconnected electric utilities/load-serving entities.²³

Comments Received Before Issuance of Proposed Regulations

Utilities generally supported an approach where regulations are limited to requiring that the ERO's tariff include standards for transmission cost recovery, with the ERO developing and proposing more detailed cost allocation and recovery methodology for Commission review and approval through the tariff process.²⁴ Some utilities supported a general allocation method for transmission cost recovery in regulation, with the ERO entrusted to propose the specifics of the allocation.²⁵ Chugach and MEA

¹⁹REAP comments at 5.

²⁰The Commission's proposed 3 AAC 46.440(a) requires an ERO's tariff include (1) a definition of the entities eligible to interconnect with the bulk electric system served by the electric reliability organization, and (2) a requirement that generators and loads capable of interconnecting with the bulk electric system served by the electric reliability organization are eligible to apply for interconnection with interconnected load serving entities in accordance with the standards for interconnection stated in the electric reliability organization's interconnection tariff.

²¹ CIRI June 1, 2021 comments at 4-5.

²²Commissioners wishing to revise 3 AAC 46.440 to respond to CIRI's concerns may wish to review CIRI's June 1, 2021 comments at pages 4 and 5 and CIRI's March 8, 2021 comments at 13-14.

²³See MEA March 8, 2021 comments at 12. MEA envisions a negotiated process between the ERO and its stakeholders to develop a specific cost allocation methodology.

²⁴GVEA February 22, 2021 comments at 2; HEA February 22, 2021 comments at 10-11; Chugach March 8, 2021 comments at 3-4. The regulation proposals of both Chugach and MEA provide that standards for transmission system cost recovery that ensures that costs of transmission projects are allocated to those that derive benefits on a roughly commensurate basis.

²⁵Chugach indicated regulations could include a requirement that costs be allocated according to usage (as determined by the ERO), with the ERO submitting a more detailed cost allocation methodology

provided draft regulations language that incorporated the first of six FERC 1000 cost recovery principles;²⁶ namely, that the costs of transmission projects be allocated to those that derive benefits on a roughly commensurate basis.²⁷

CIRI favored providing the ERO latitude to develop standards for transmission cost recovery based on national standards developed for other interconnected grids,²⁸ while REAP proposed regulations required more detailed information regarding processes and necessary considerations that would guide transmission cost recovery determinations.²⁹ Both CIRI and REAP cited to FERC Order 1000 as an appropriate guide to transmission cost recovery in Alaska, but recognized that principles stated in FERC Order 1000 may need modification for local conditions in Alaska.³⁰

Proposed Regulations Issued for Comment

Proposed regulations issued for comment under Order R-20-001(3)/R-20-002(4)/R-20-003(4) borrowed from concepts presented by both Chugach, MEA, and REAP, with the common theme being that the ERO's tariffed transmission cost allocation methodologies should ensure that the costs of transmission facilities are allocated to those that derive benefits from the facilities in a manner that is at least roughly commensurate with estimated benefits (a FERC Order 1000 principle). The proposed regulations stated:

3 AAC 46.450. Transmission Cost Recovery.

(a) By the date specified in the order approving an application to serve as an electric reliability organization, an electric reliability organization's tariff must include methodologies for addressing transmission costs that ensure the costs of transmission facilities are allocated to those that derive benefits from the facilities in a manner that is at least roughly commensurate with estimated benefits.

(b) A filing to implement a standard for transmission system cost recovery must demonstrate the standard

(1) ensures only costs associated with the transmission assets are included, with a detailed list of cost documentation required for each transmission project; and

to Commission review and approval. Chugach February 19, 2021 comments at 10. Seward favored the Commission outlining requirements for equal cost apportionment, but otherwise entrusting the ERO developing standards to address the treatment and categorization of transmission costs and the methodology by which the costs are recovered. Seward February 18, 2021 comments at 8-9.

²⁶FERC Order 1000 established six principles to guide transmission cost recovery for interconnected grid regions under FERC's jurisdiction - (1) allocated costs must be roughly commensurate with estimated benefits, (2) costs cannot be involuntarily allocated to parties that do not benefit from the project(s), (3) a benefit to cost ratio of greater than 1.25 cannot be used without justification and Commission approval, (4) costs cannot be allocated outside a region unless agreed upon by the other region, (5) allocation methods and identification of beneficiaries must be transparent, and (6) different allocation methods may be used for different types of projects.

²⁷Chugach March 8, 2021 comments at 3-4; MEA March 8, 2021 comments at 12-13.

²⁸CIRI stated that standards must be "fair, non-discriminatory, and based on achieving greatest value at acceptable levels of reliability for all consumer interests." CIRI March 8, 2021 comments at 10.

²⁹REAP March 8, 2021 comments at 19-20. REAP's comments also focused on a technical committee with members independent from the ERO's utility members leading the effort to establish a transmission cost recovery methodology, an approach that was not presented in the Commission's draft regulations issued under Order R-20-001(3)/R-20-002(4)/R-20-003(4).

³⁰CIRI December 17, 2010 comments at 2; CIRI March 8, 2021 comments at 10; REAP March 8, 2021 comments at 21.

(2) allocates project costs in a manner that is at least roughly commensurate with the estimated benefits derived from the transmission project.

(c) The required showing under subsection (b)(2) must describe in detail the cost allocation principles used to develop the cost allocation recommendations for the transmission project, including an explanation of

(1) the method by which the benefits derived from and the beneficiaries of the project were determined, including a discussion of the data requirements and analysis for determining benefits and beneficiaries; and

(2) the considerations and conclusions underlying the determination that transmission costs will be allocated in a way that is at least roughly commensurate with estimated benefits.

Comments Received on Proposed Regulations

The only comments received on this proposal were from the five Railbelt electric utilities and Doyon, with Chugach and HEA signed on to the joint regulation proposal of the Railbelt electric utilities while also filing separate comments and an alternative regulations language. The joint filing of the Railbelt electric utilities and Doyon shared identical language and justification for the revisions to the Commission's proposed transmission cost recovery regulations provisions.

The regulations language proposed in the Railbelt utilities joint filing and supported by Doyon stated:³¹

3 AAC 46.450. Transmission Cost Recovery.

(d) By the date specified in the order approving an application to serve as an electric reliability organization, an electric reliability organization's tariff must include methodologies for addressing transmission costs that ensure that those transmission users that derive benefits from the transmission system are allocated costs in a manner that is at least roughly commensurate with estimated benefits.

(e) A filing to implement a standard for transmission system cost recovery must demonstrate the standard

(1) ensures only cost assets that provide transmission benefit are included; and

(2) allocates costs in a manner that is at least roughly commensurate with the estimated benefits derived from the transmission system.

(f) The required showing under subsection (b)(2) must describe in detail the cost allocation principles used to develop the cost allocation recommendations for the transmission system, including an explanation of

(1) the method by which the benefits derived from and the beneficiaries of the transmission system were determined; and

(2) the considerations and conclusions underlying the determination that transmission costs will be allocated in a way that is at least roughly commensurate with estimated benefits.

The Railbelt utilities' joint proposal makes the following changes to the regulations issued for comment by the Commission: (1) inserts the phrase "transmission users" to identify the entities that must bear the costs of the transmission system in a manner commensurate with the benefits received (subsection (a));³² (2) changes the phrasing from "ensures only costs associated with transmission assets" are included in cost recovery standards to "ensures only cost assets that provide transmission benefits" (subsection (b)(1)); (3) deletes the requirement that a filing to implement a cost recovery standard include "a detailed list of

³¹See Railbelt utilities' joint comments, Appendix A at 54-55. Identical language and justification was stated in Doyon's comments at 42-43. Two signatories to the Railbelt utilities joint comments - HEA and MEA - filed additional comments supporting the proposed revisions. HEA June 1, 2021 comments at 5; MEA June 1, 2021 comments at 22.

³²See proposed 3 AAC 46.450(a).

cost documentation required for each project” (subsection (b)(1)); (4) revises language stating that the cost recovery standard allocate transmission “project costs” in a manner commensurate with the estimated benefit from the “transmission project”; the revised language allocates “costs” in a manner commensurate with the estimated benefit from the “transmission system” (subsection (b)(2)); (5) makes a similar change to the next section, replacing the term “transmission project” to “transmission system” when discussing the required showing to obtain Commission approval of a cost allocation standard (subsection (c)). The only justification or explanation for revising the Commission’s proposed regulation language (which was consistent with Chugach and MEA’s initial regulation proposals)³³ was that “transmission cost allocation should be considered in whole rather than in part and this determination should be left up to the [ERO].”³⁴

As noted above, Chugach also submitted an alternative regulation proposal. Chugach’s alternative proposal provided:³⁵

3 AAC 46.450. Transmission Cost Recovery.

(a) By the date specified in the order approving an application to serve as an electric reliability organization, an electric reliability organization’s tariff must include methodologies for addressing transmission system costs that ensure the costs of transmission system are allocated to those that derive benefits from the system in a manner that is at least roughly commensurate with estimated benefits.

(b) A filing to implement a standard for transmission system cost recovery must demonstrate the standard

(1) ensures only costs associated with the transmission system are included; and

(2) allocates transmission system costs in a manner that is at least roughly commensurate with the estimated benefits derived from the transmission system.

(c) The required showing under subsection (b)(2) must describe in detail the cost allocation principles used to develop the cost allocation recommendations for the transmission system, including an explanation of

(1) the method by which the benefits derived from and the beneficiaries of the transmission system were determined; and

(2) the considerations and conclusions underlying the determination that transmission system costs will be allocated in a way that is at least roughly commensurate with estimated benefits.

Chugach’s alternative proposal also focuses on recovery the costs of the “transmission system” rather than its previous focus on the costs “transmission projects”. No explanation was provided.

In addition to signing on the Railbelt utilities joint proposal, HEA provided additional comments that proposed a minimal change to the Commission’s proposed regulation. While proposed 3 AAC 46.450(b)(2) requires the filing of a transmission cost recovery standard demonstrate the standard “allocates project costs in a manner *that is at least roughly* commensurate with the estimated benefits

³³Chugach’s initial regulations proposal required standards for transmission system cost recovery that ensures the “costs of transmission projects” are allocated to those that derive benefits on a roughly commensurate basis. Chugach March 8, 2021 comments at 3. MEA’s initial regulations proposal required that a filing for a standard for transmission system cost recovery demonstrate that it includes “only the costs associated with the relevant transmission assets” are allocated to those that derive benefits on a roughly commensurate basis. MEA March 8, 2021 comments at 13.

³⁴Railbelt utilities’ joint comments, Appendix A at 55-56; Doyon comments at 43.

³⁵Chugach June 1, 2021 comments, Appendix A at 55.

derived from the transmission project; HEA would delete the qualifying language “that is at least roughly” so 3 AAC 46.450(b)(2) would read:³⁶

3 AAC 46.450. Transmission Cost Recovery.

(b) A filing to implement a standard for transmission system cost recovery must demonstrate the standard

(2) allocates costs in a manner commensurate with the estimated benefits derived from the transmission system.

Conclusion

As discussed above, the Commission has received comments in response to the proposed regulations issued for comment under Order R-20-001(3)/R-20-002(4)/R-20-003(4). The comments provide additional options for Commission consideration as it moves towards finalizing the adoption of regulations implementing SB 123. A side-by-side comparison of the regulations options accompanies this memo, with language where different options are presented italicized to assist review.

³⁶HEA comments at 5.